FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – December 31, 2010

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of December 31, 2010. Change is measured from December 31, 2009.[1]

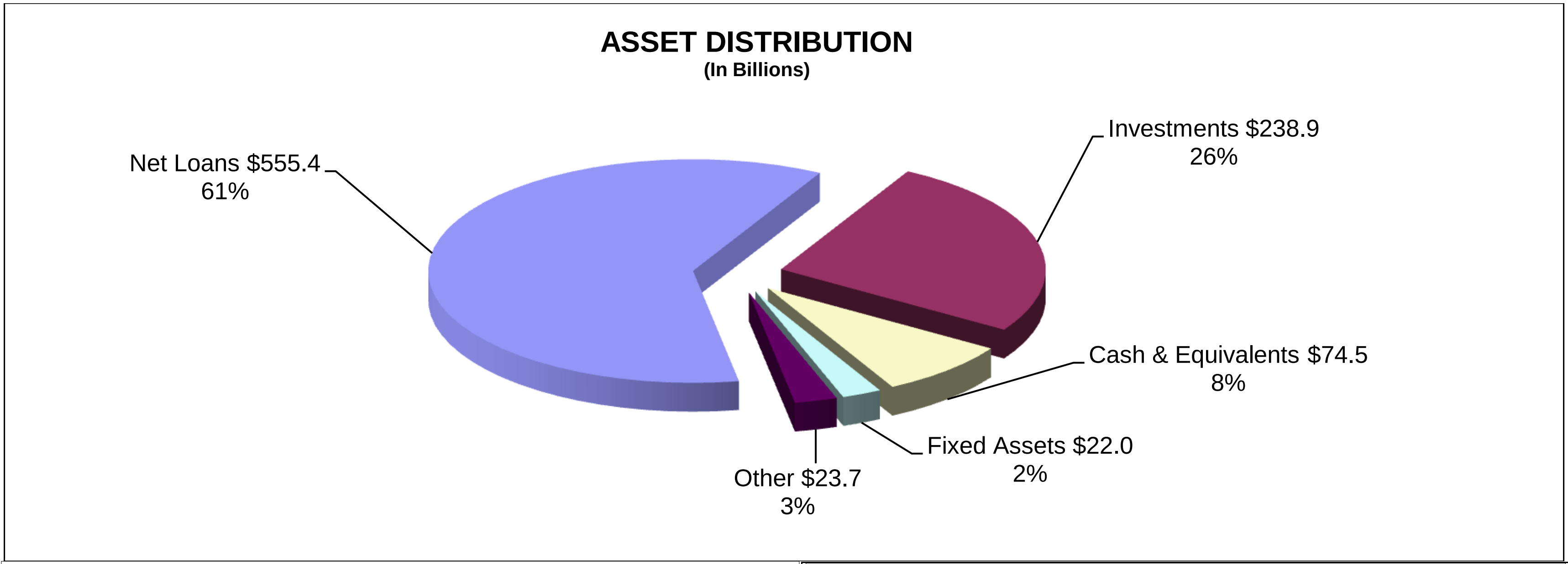
Number of Credit Unions Reporting			
	Federal Charter	State Charter	Total
2006	5,189	3,173	8,362
2007	5,036	3,065	8,101
2008	4,847	2,959	7,806
2009	4,714	2,840	7,554
2010	4,589	2,750	7,339

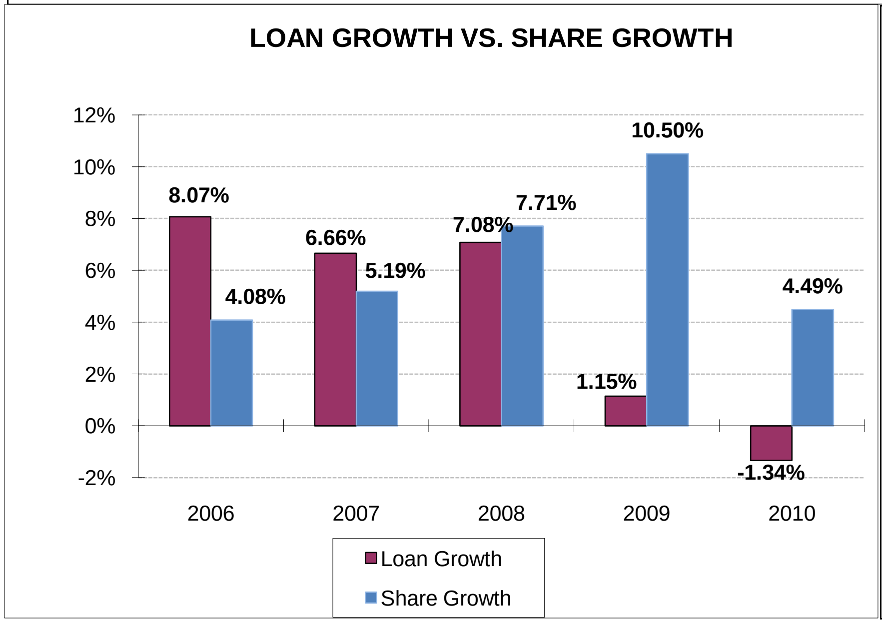
- **Assets** increased $29.87 billion, or 3.38%. Assets of federally insured credit unions total $914.47 billion.
- **Net Worth** dollars increased $4.51 billion to $92.07 billion, or 5.15% growth. The net worth to assets ratio also increased from 9.89% to 10.06%.
- **Earnings**, as measured by the return on average assets ratio, increased from 0.18% to 0.51%.
- **Loans** declined $7.68 billion, or -1.34%. The loans to shares ratio decreased from 76.06% to 71.82%. Declining loan categories include new vehicle loans, other real estate loans, and leases receivable.
- **Delinquent Loans** as a percentage of total loans declined from 1.84% to 1.74%; however, delinquency for most loan types has increased in the 12 months and over category. Delinquent real estate loans as a percentage of total real estate loans increased from 1.99% to 2.07%, while delinquent business loans to total business loans increased from 3.71% to 3.92%. Similarly, delinquent loan participations as a percentage of total loan participations increased from 3.49% to 3.83%.
- **Net Loan Charge-Offs** as a percentage of average loans decreased from 1.21% to 1.13%.
- **Shares** increased $33.81 billion, or 4.49%. The largest percentage growth in shares was in money market shares followed closely by regular shares, while the largest decline was in share certificates.
- **Current members** increased by 0.61 million, or growth of 0.68%.

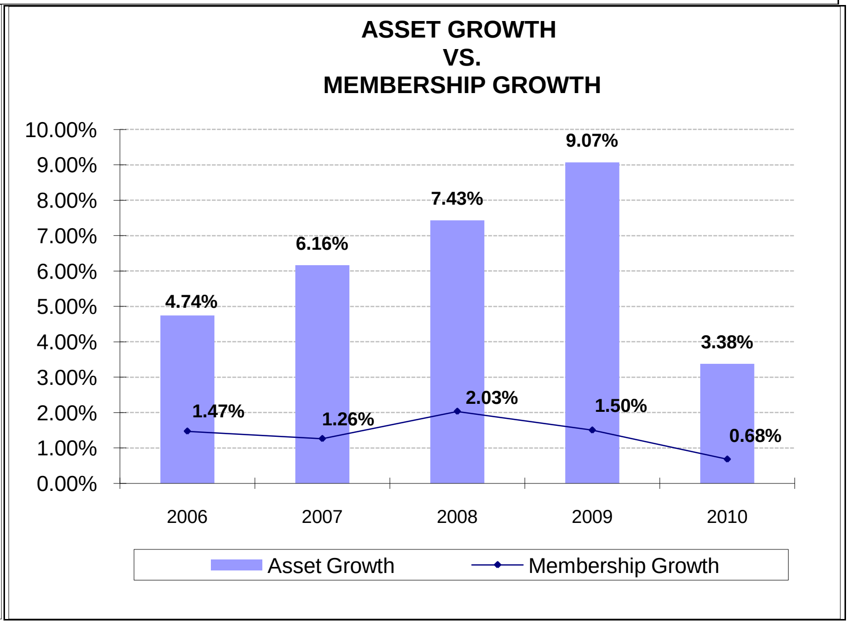
Federally insured credit unions reported improved earnings performance and slightly lower loan delinquency overall. Sustained caution is necessary due to declining loan volume and increasing foreclosures and loan modifications. Real estate loan and member business loan delinquency also remain high and continue to rise. Vigilant underwriting and sound asset liability management practices are essential in the current economic environment.

[1] The financial results for prior periods may reflect changes when compared to prior period trend letters, due to subsequent Call Report modifications.

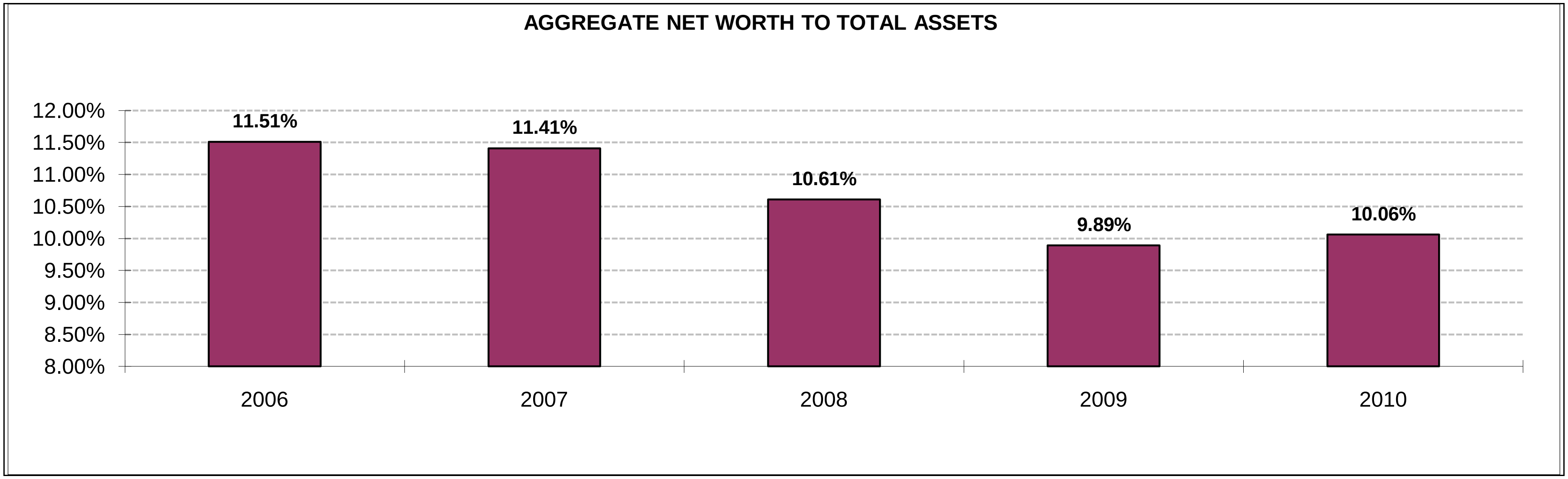
OVERALL TRENDS







NET WORTH



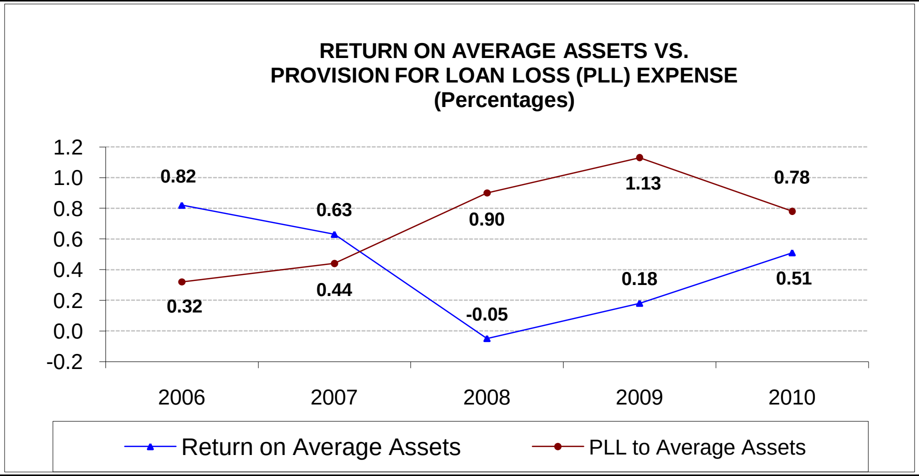
	December 2009 In Billions	December 2010 In Billions	% Change (Annualized)
Total Net Worth	$87.56	$92.07	5.15%
Secondary Capital*	$0.079	$0.156	97.2%

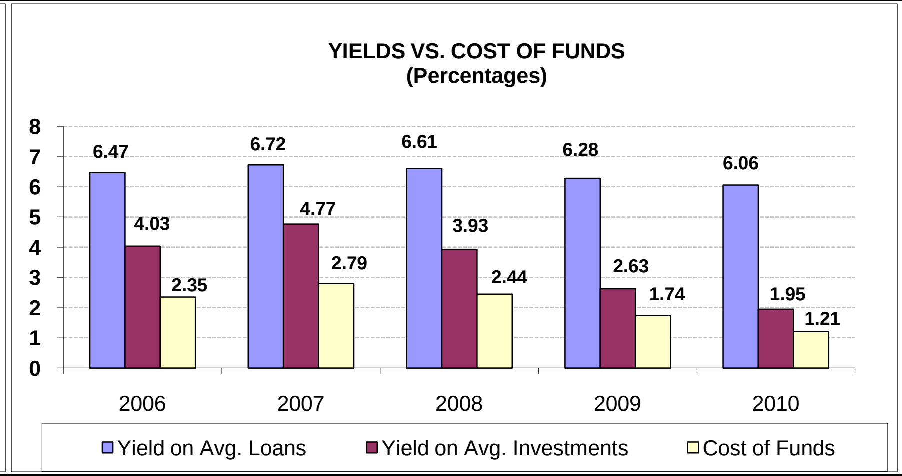
*For low-income designated credit unions, net worth includes secondary capital.

NET WORTH RATIOS				
Number of Credit Unions	**December 2009**	**% of Total**	**December 2010**	**% of Total**
7% or above	7,153	94.69%	6,979	95.09%
6% to 6.99%	222	2.94%	200	2.73%
4% to 5.99%	129	1.71%	116	1.58%
2% to 3.99%	33	0.43%	34	0.46%
0% to < 2.00%	8	0.11%	7	0.10%
Less than 0%	9	0.12%	3	0.04%

Net worth dollars increased by $4.51 billion during 2010, while the aggregate net worth ratio increased to 10.06%. More than three-quarters of the credit unions reporting an increase in secondary capital in 2010 were awarded funding under the Treasury's Community Development Capital Initiative program, which used returned funds from the Troubled Assets Relief Program (TARP) to expand credit and services in economically challenged communities. The number of credit unions subject to Prompt Corrective Action (PCA), as a percentage of total credit unions, decreased from 5.31% as of December 31, 2009 to 4.91% as of December 31, 2010, indicating reduced stress on individual credit unions from the current economic environment.

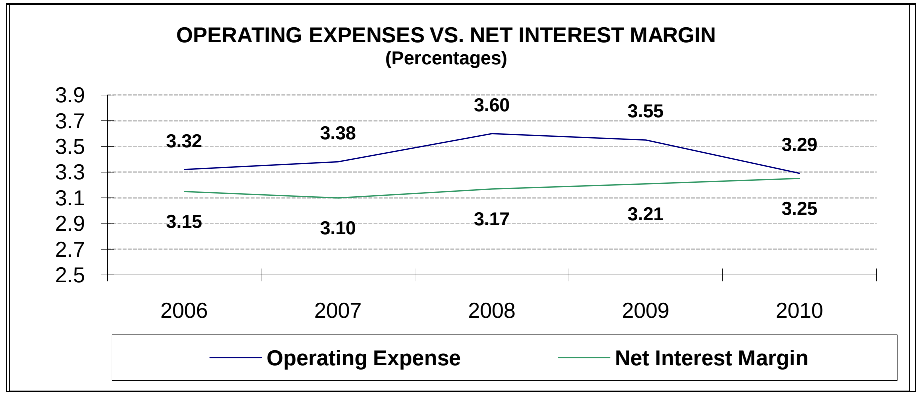
EARNINGS





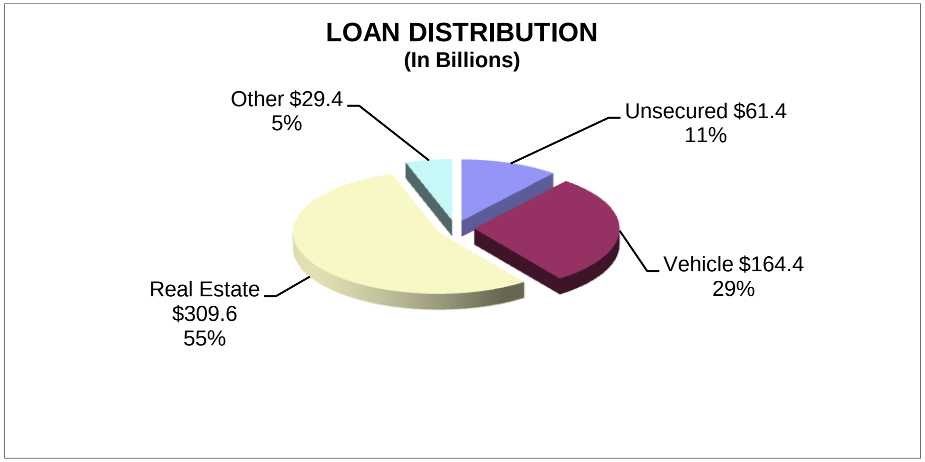
Ratio (% of Average Assets)	December 2009	December 2010	Effect on ROA
Net Interest Margin	3.21%	3.25%	+4 bp
+ Fee & Other Inc.	1.36%	1.33%	-3 bp
- Operating Expenses*	3.55%	3.29%	+26 bp
- PLLL	1.13%	0.78%	+35 bp
+ Non-Operating Income*	0.29%	0.00%	-29 bp
= ROA	0.18%	0.51%	+33 bp

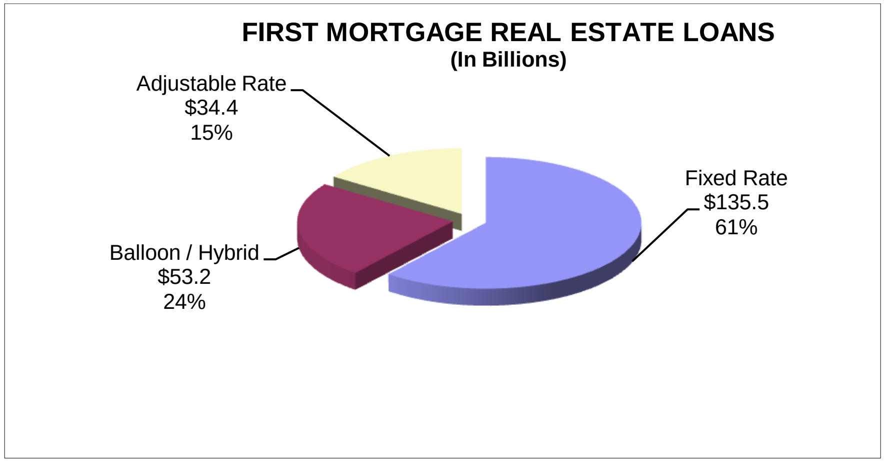
*Reflects income and expenses associated with Corporate Stabilization Efforts



Declines in Provision for Loan Loss expense and operating expenses primarily contributed to the increase in the return on average assets ratio to 0.51% in 2010. The improved operating expense ratio indicates credit unions have become more efficient. The net interest margin increased slightly, as the cost of funds declined at a faster rate than yields on loans and investments. Examiners will consider the impact of NCUSIF premiums and Temporary Corporate Credit Union Stabilization Fund assessments when evaluating credit union earnings. A credit union's earnings level will be evaluated in relation to its overall risk profile, net worth needs, financial and operational structure, the current economic climate, and its strategic plans.

LOAN DISTRIBUTION

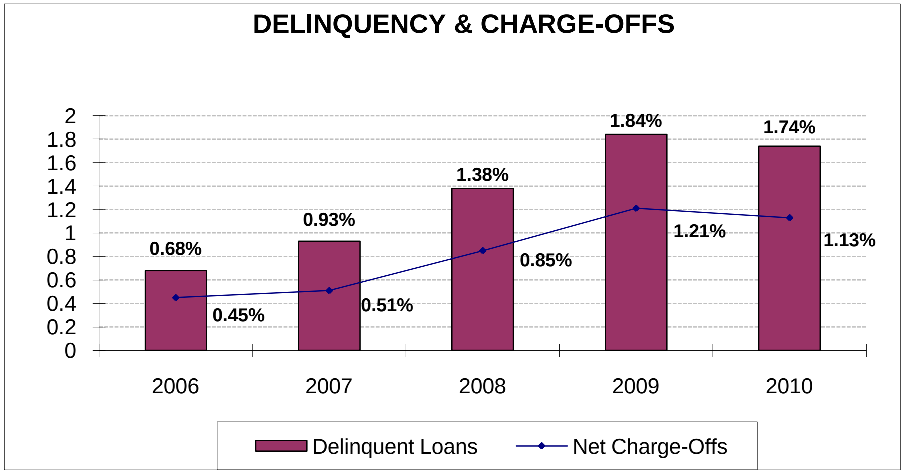


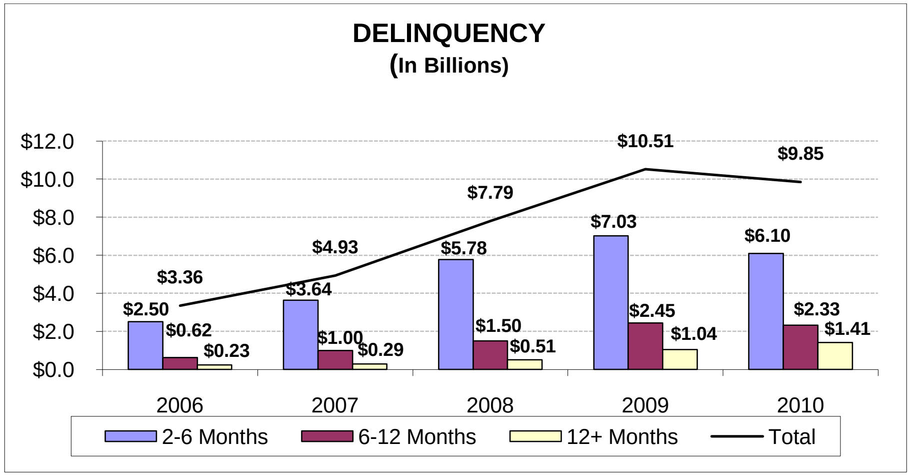


Loan Category	December 2009 Balance In Billions	% of Total Loans December 2009	December 2010 Balance In Billions	% of Total Loans December 2010	Growth In Billions	Growth Rate
Unsecured Credit Card	$34.87	6.09%	$35.96	6.37%	$1.09	3.12%
All Other Unsecured	$25.54	4.46%	$25.49	4.51%	-$0.05	-0.21%
New Vehicle	$75.25	13.14%	$62.89	11.13%	-$12.35	-16.42%
Used Vehicle	$98.15	17.15%	$101.52	17.97%	$3.37	3.43%
First Mortgage Real Estate	$217.21	37.94%	$223.05	39.49%	$5.84	2.69%
Other Real Estate	$92.36	16.13%	$86.57	15.33%	-$5.80	-6.28%
Leases Receivable & All Other	$29.13	5.09%	$29.35	5.20%	$0.22	0.76%
Total Loans	**$572.51**		**$564.83**		**-$7.68**	**-1.34%**

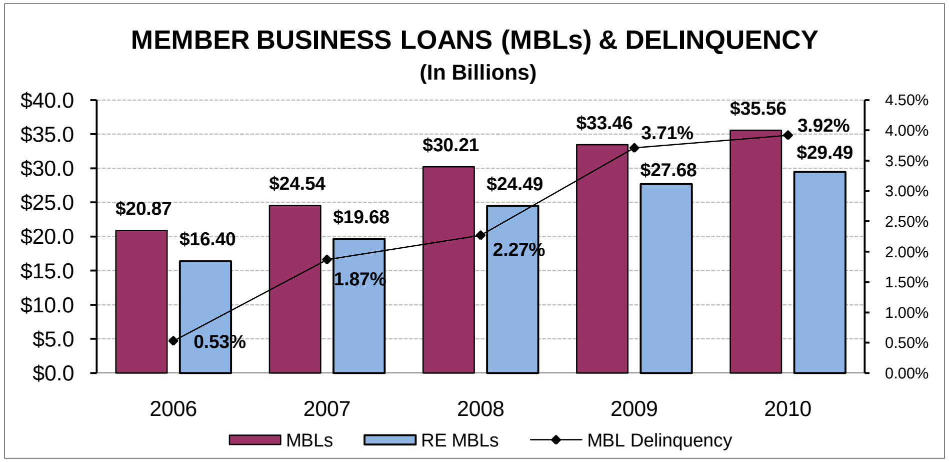
Loans declined by $7.68 billion in 2010. This decline, coupled with positive share growth, resulted in a decrease in the loans to shares ratio to 71.82%, the lowest since 2004. Real estate loans grew $45.37 million in 2010 and continue to comprise the largest portion of total loans at 54.82%, followed by vehicle loans at 29.11%. Attaining positive loan growth while originating loans in a safe and sound manner will continue to be a challenge in the current economic environment.

LOAN AND DELINQUENCY TRENDS



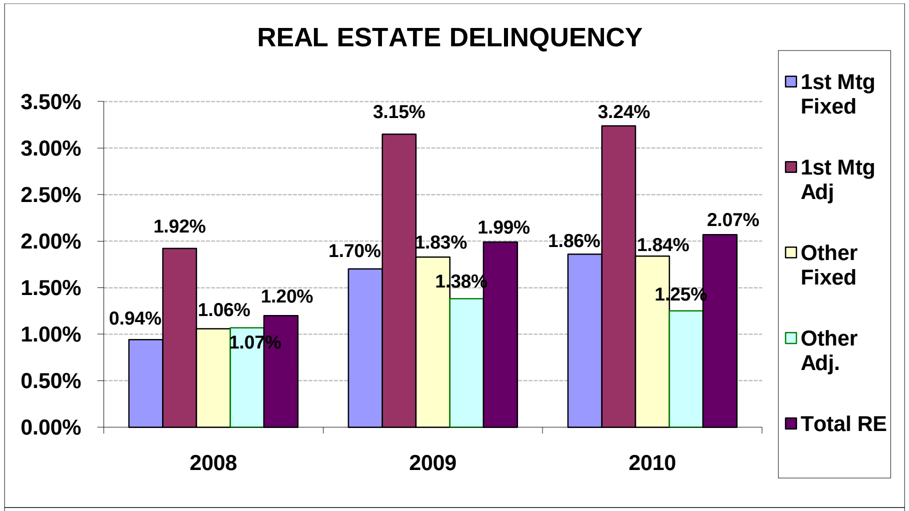


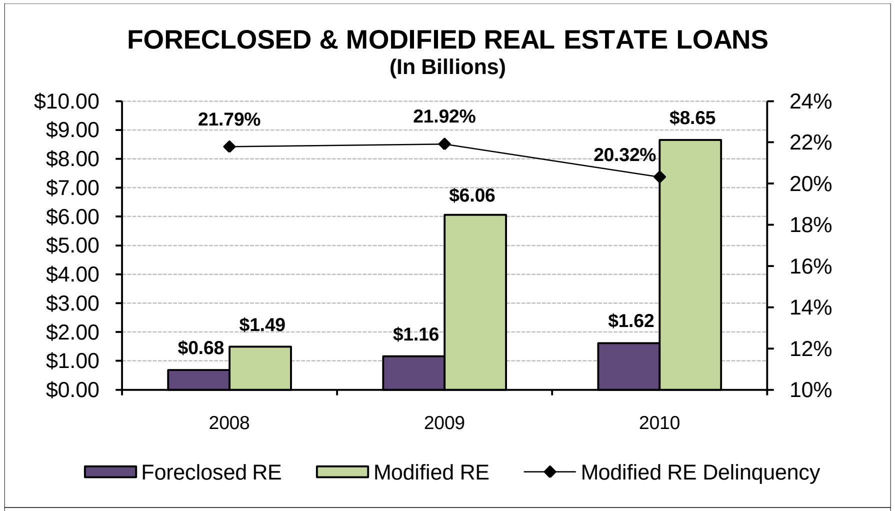
Total Loan Charge-Offs and Recoveries	December 2009 In Billions	December 2010 In Billions	% Change
Total Loans Charged Off	$7.63	$7.23	-5.17%
Total Loan Recoveries	$0.72	$0.82	13.61%
Total Net Charge-Offs	$6.91	$6.41	-7.13%

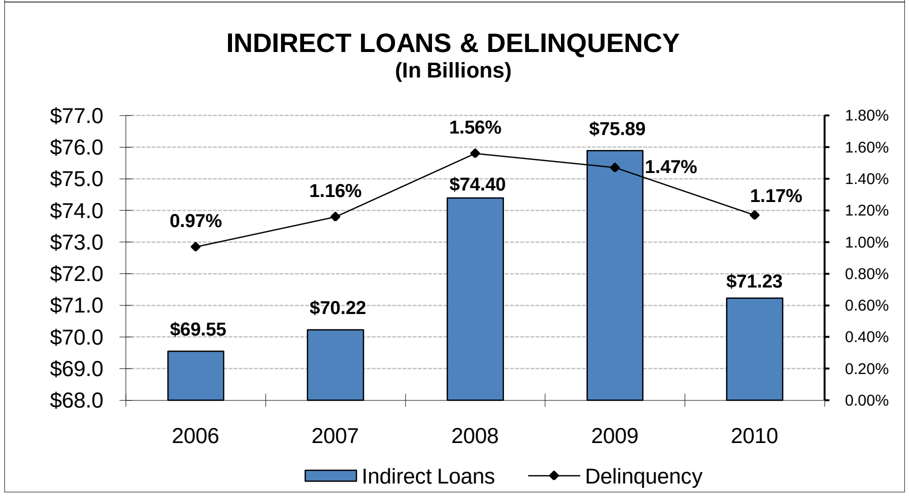


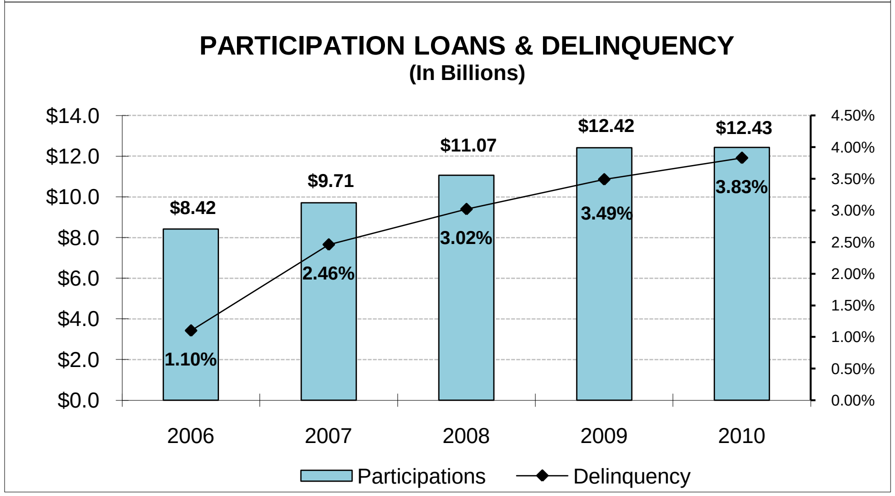
Overall, delinquent dollars declined by $667.34 million, and net charge-offs decreased by 7.13% in 2010. This trend is encouraging, but loans delinquent in excess of 12 months have steadily increased, rising 36.14% last year. Further, member business loan (MBL) delinquency increased by $151.38 million to 3.92% of total MBLs in 2010. Net charge-offs in this category have increased from 0.67% to 0.82%. Credit unions engaged in commercial lending must closely monitor these trends and employ sound risk management, underwriting, and collection practices.

LOAN AND DELINQUENCY TRENDS (continued)



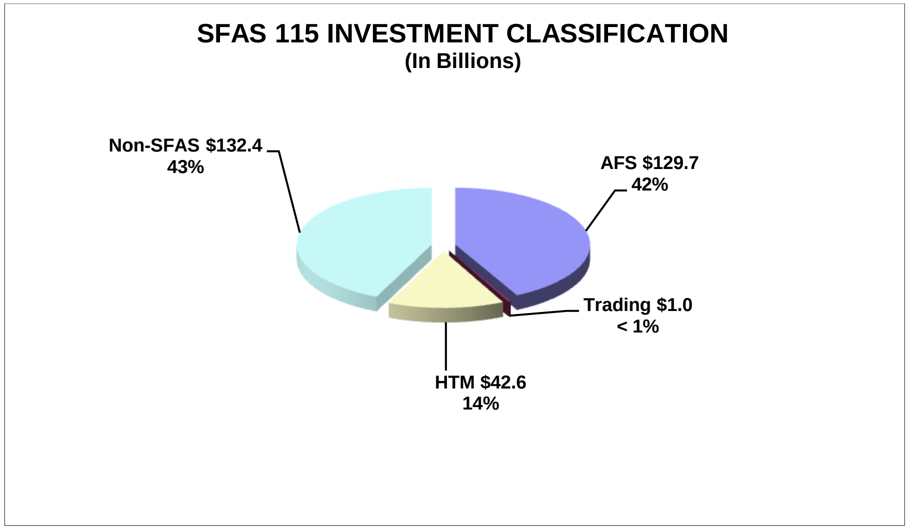


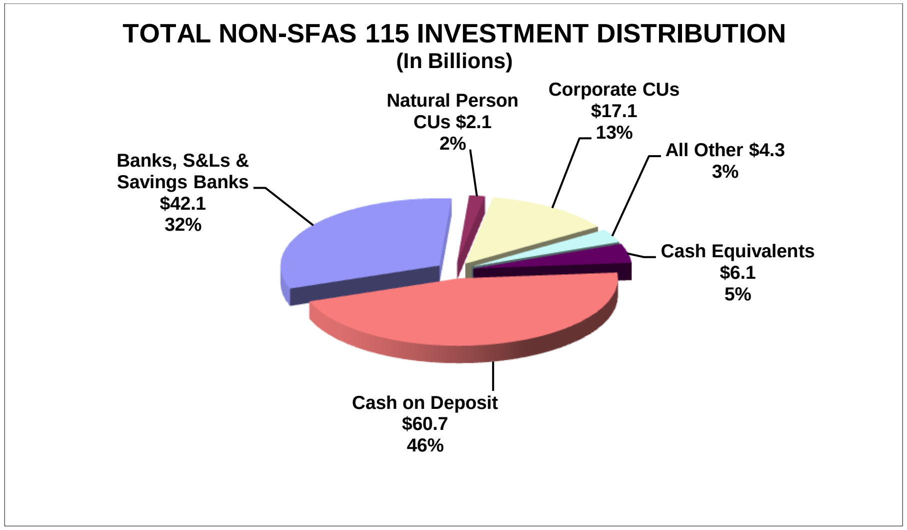




Total real estate loan delinquencies rose from 1.99% to 2.07%, while net real estate loan charge-offs increased from 0.55% to 0.64% of average real estate loans in 2010. Foreclosed real estate increased by $455.04 million, and modified real estate loans increased by $2.6 billion. As of December 31, 2010, credit unions held $8.65 billion in modified real estate loans, with 20.32% of these loans reported as delinquent. In addition, participation loan delinquency increased by $41.77 million to 3.83%. These factors indicate credit risk remains an area that requires the full attention of credit union management.

INVESTMENT TRENDS

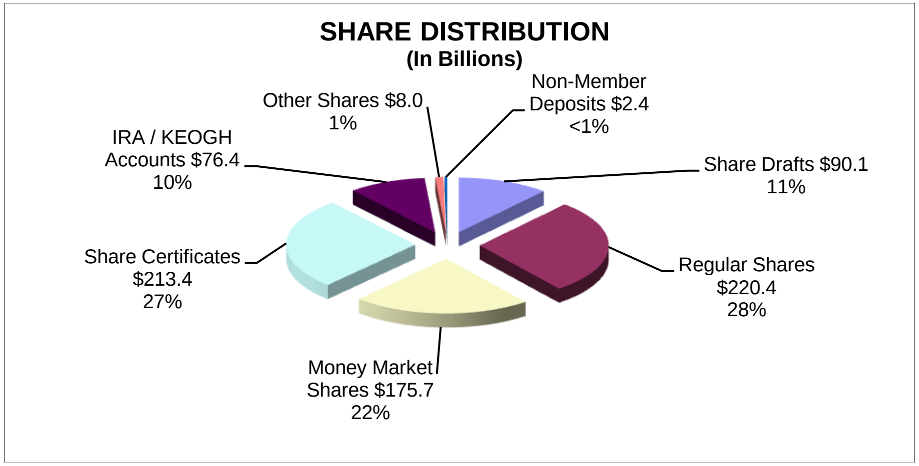


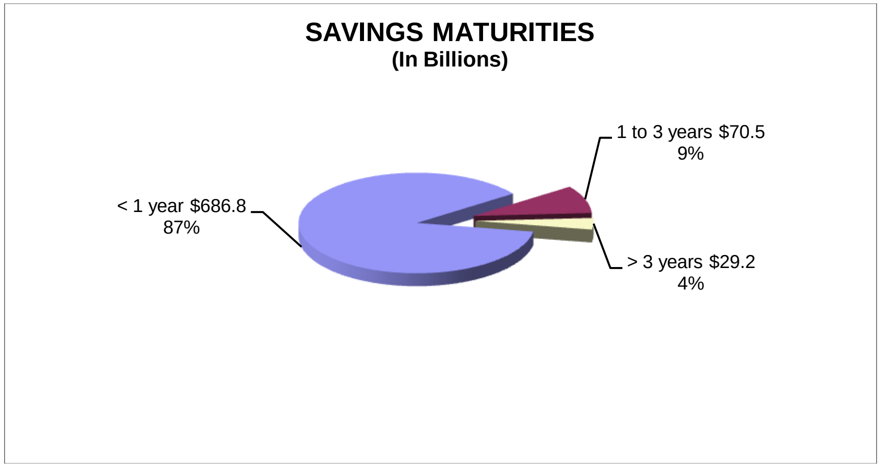


Maturity or Repricing Intervals for Investments and Cash Deposits & Equivalents	December 2009 In Billions	% of Total Investments December 2009	December 2010 In Billions	% of Total Investments December 2010
Less than 1 year	$141.11	52.11%	$139.60	45.67%
1 to 3 years	$79.11	29.22%	$93.92	30.73%
3 to 5 years	$33.13	12.24%	$46.74	15.29%
5 to 10 years	$13.05	4.82%	$20.21	6.61%
Greater than 10 years	$4.36	1.61%	$5.20	1.70%
Total Investments	**$270.76**		**$305.67**	

Credit union investment holdings have increased in 2010, due to positive share growth and declining loans. The maturity structure of the investment portfolio remains short-term, resulting in a low interest rate risk profile for this portion of the balance sheet. However, movement from the under 1 year to the extended maturity categories continues. Credit unions maintain their investments in high quality, safe instruments. Forty-two percent of all investments are in cash deposits or cash equivalents, deposits in corporate credit unions, and deposits in other financial institutions. These investments provide liquidity and are generally not vulnerable to changing market values. Of the remaining investments, which are subject to Statement of Financial Accounting Standards (SFAS) 115 classification, 89% are in U.S. Government or Federal Agency Securities.

SHARE TRENDS

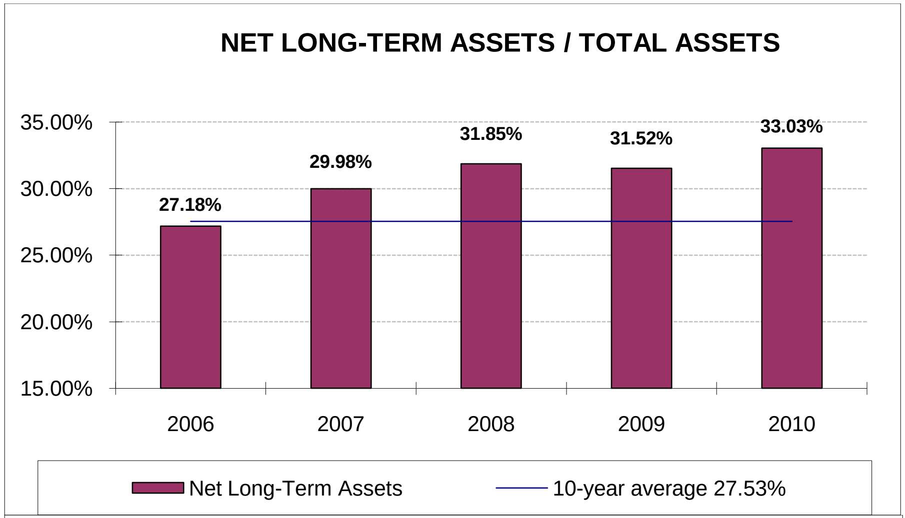


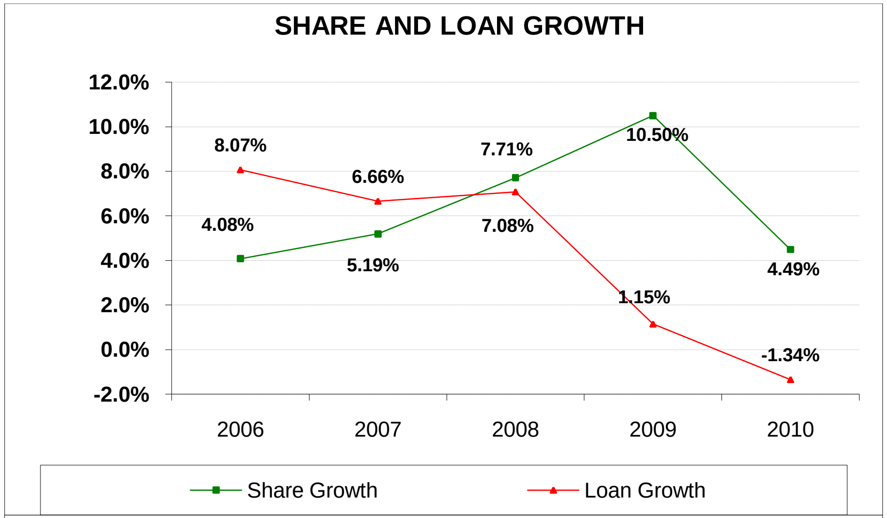


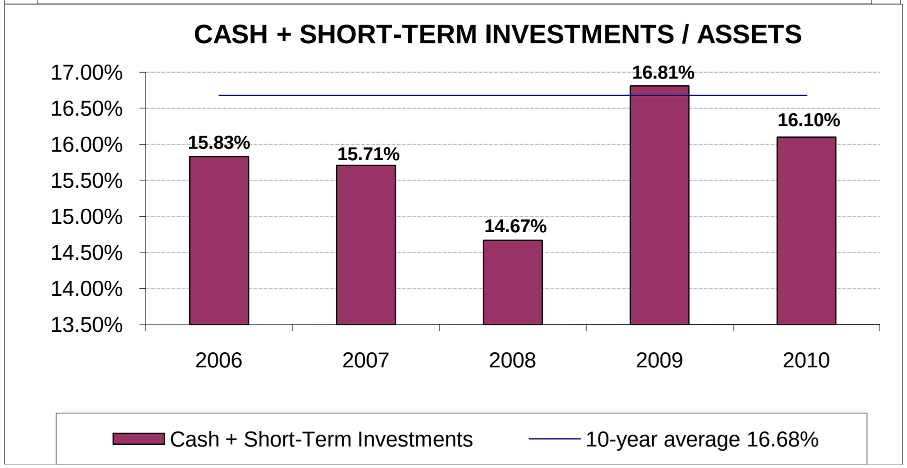
Share Category	**December 2009 Balance** In Billions	**% of Total Shares 2009**	**December 2010 Balance** In Billions	**% of Total Shares 2010**	**Growth** In Billions	**Growth Rate**
Share Drafts	$85.30	11.33%	$90.06	11.45%	$4.75	5.57%
Regular Shares	$199.91	26.56%	$220.44	28.03%	$20.54	10.27%
Money Market Shares	$158.32	21.04%	$175.74	22.34%	$17.42	11.00%
Share Certificates	$225.56	29.97%	$213.43	27.14%	-$12.12	-5.38%
IRA / KEOGH Accounts	$73.39	9.75%	$76.39	9.71%	$3.00	4.09%
All Other Shares	$7.71	1.02%	$8.01	1.02%	$0.30	3.90%
Non-Member Deposits	$2.48	0.33%	$2.41	0.31%	-$0.08	-3.15%
Total Shares and Deposits	**$752.67**		**$786.48**		**$33.81**	**4.49%**

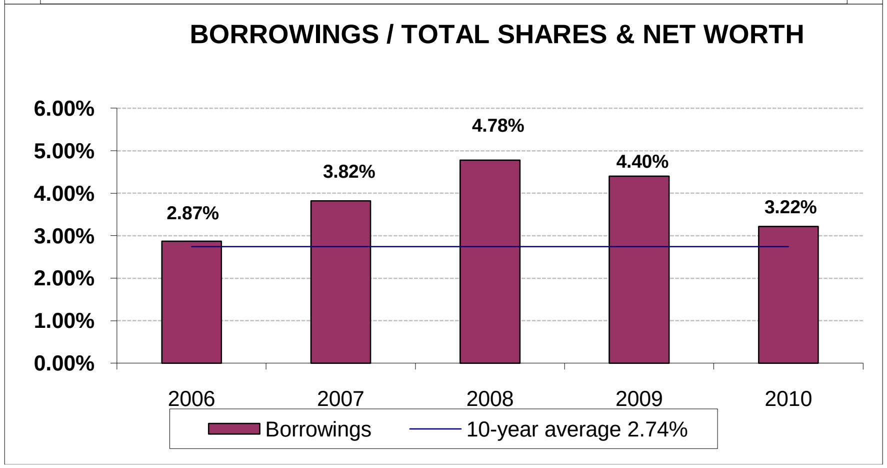
Total shares increased $33.81 billion. Share certificates declined 5.38%, continuing a trend which started in the second quarter of 2009. However, share certificates still comprise more than a quarter of total shares and deposits. The largest growth rate was in money market and regular share accounts in 2010. While the growth in regular shares reflects continued member loyalty, 59.5% of total shares are in rate-sensitive accounts. Despite the growth in the 1 to 3 and greater than 3 year categories, share maturities remain short-term, with 87% of total shares maturing within one year.

ASSET LIABILITY MANAGEMENT TRENDS









Credit unions have improved liquidity and reduced their reliance on borrowings; however, in a rising interest rate environment, the potential for increasing interest rate and liquidity risks exists. The slight decline in the cash and short-term investments to assets ratio is due to an increase in investments with maturities in excess of one year. The higher net long-term assets ratio of 33.03% represents potential interest rate risk exposure. Credit unions with higher levels of liquidity or interest rate risk must continue to demonstrate diligent risk management procedures.

SUMMARY OF TRENDS BY ASSET GROUP

	Asset Group Under $10 million	**Asset Group** $10 million to $100 million	**Asset Group** $100 million to $500 million	**Asset Group** Over $500 million
# of Credit Unions	2,781	3,189	1,000	369
Total Assets	$10.78 billion	$113.37 billion	$219.81 billion	$570.51 billion
Average Assets/CU	$3.88 million	$35.55 million	$219.81 million	$1.55 billion
Net Worth/Total Assets	14.86%	11.62%	10.21%	9.61%
Average Net Worth (non dollar-weighted)	16.59%	12.16%	10.22%	9.92%
Net Worth Growth*	-1.90%	1.27%	3.97%	7.83%
Return on Average Assets (ROA)	-0.30%	0.09%	0.35%	0.68%
Net Interest Margin/Average Assets	3.76%	3.56%	3.41%	3.13%
Fee & Other Income/Average Assets	0.70%	1.18%	1.49%	1.32%
Operating Expense/Average Assets	4.22%	4.03%	3.81%	2.94%
Members / Full-Time Employees	397.51	398.10	351.45	399.41
Provision for LLL/Average Assets	0.47%	0.52%	0.71%	0.87%
Loans/Shares	59.04%	62.85%	70.20%	74.54%
Delinquent Loans/Total Loans	2.58%	1.65%	1.68%	1.77%
% of Real Estate Lns Delinquent > 2 Mths	1.91%	1.79%	1.97%	2.14%
% of Member Business Loans Delinquent > 2 Mths	1.54%	2.61%	3.72%	4.08%
Net Charge-Offs/Average Loans	0.83%	0.83%	1.01%	1.23%
Share Growth*	3.13%	4.43%	4.93%	5.66%
Loan Growth*	-2.18%	-0.92%	-0.38%	-0.48%
Asset Growth*	2.09%	2.97%	3.11%	4.81%
Membership Growth*	-1.21%	-0.22%	0.76%	3.03%
Net Long-Term Assets/Total Assets	8.93%	23.40%	32.14%	35.74%
Cash + Short-Term Invest./Assets	34.17%	23.47%	17.01%	13.95%
Borrowings/Shares & Net Worth	0.08%	0.27%	1.30%	4.66%

***Note: The growth trends are based on the same FICUs reporting at 12/31/09 and 12/31/10, using assets as of 12/31/10.**

A distinct difference exists in the performance among the different asset groups. Net worth ratios remain strong in all four asset groups, particularly in the under $10 million category. However, these smaller credit unions are having the greatest challenge with earnings, loan growth, overall delinquency, and membership growth. The larger credit union categories benefit from their economies of scale, as reflected in lower operating expense ratios, and generate greater net income due to these efficiencies.